Dublin, Ohio

New Issue Report

Ratings

Long-Term Issuer Default Rating	AAA

New Issue

$8,900,000 General Obligation Limited Tax Capital Facilities Bonds Series 2016	AAA

Outstanding Debt

General Obligation Limited Tax Capital Facilities Improvement and Refunding Bonds	AAA
General Obligation Limited Tax Capital Facilities Improvement Bonds	AAA
General Obligation Limited Tax Variable Purpose Bonds	AAA
General Obligation Limited Tax Variable Purpose Improvement and Refunding Bonds	AAA
General Obligation Unlimited Tax Variable Purpose Refunding Bonds	AAA

Rating Outlook

Stable

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New Issue Summary

Sale Date: Nov. 15, 2016

Series: $8.9 million General Obligation Limited Tax Capital Facilities Bonds Series 2016

Purpose: Proceeds of the bonds will be used for the purpose of paying the costs of improving Dublin's (the city) vehicular transportation system within the Bridge Street District.

Security: The limited tax general obligation bonds are payable from ad valorem taxes levied on all taxable property within the 10-mill limitation imposed by Ohio law.

The 'AAA' rating reflects the city's stable economic underpinnings, exceptionally strong gap-closing capacity, excellent institutionalized financial management practices and low long-term liability burden.

Key Rating Drivers

Economic Resource Base: Dublin is located in central Ohio, 16 miles northwest of Columbus (GO bond rating and Issuer Default Rating of 'AAA'/Stable), Ohio's state capital and largest city. Dublin's location at the intersection of transportation networks servicing Columbus' northwestern suburbs has led to rapid population growth of about 44% since 2000 to an estimated 45,098 in 2015 and considerable residential and commercial development over the past decade.

Revenue Framework: 'aaa' factor assessment. Fitch Ratings expects revenue performance to continue to be strong, tracking economic trends. The city has ample legal ability to independently raise revenues.

Expenditure Framework: 'aa' factor assessment. The city's rate of expenditure growth is expected to be in line with revenue growth. Expenditure flexibility is solid, with moderate carrying costs for debt service, pension and other post-employment obligations.

Long-Term Liability Burden: 'aaa' factor assessment. The long-term liability burden including pension liabilities and overall debt is low relative to personal income and expected to remain at this level.

Operating Performance: 'aaa' factor assessment. Extremely strong gap-closing capacity reflects ample revenue-raising ability, strong expenditure flexibility and prudent budget controls. Management makes consistent efforts to support financial flexibility at times of economic recovery.

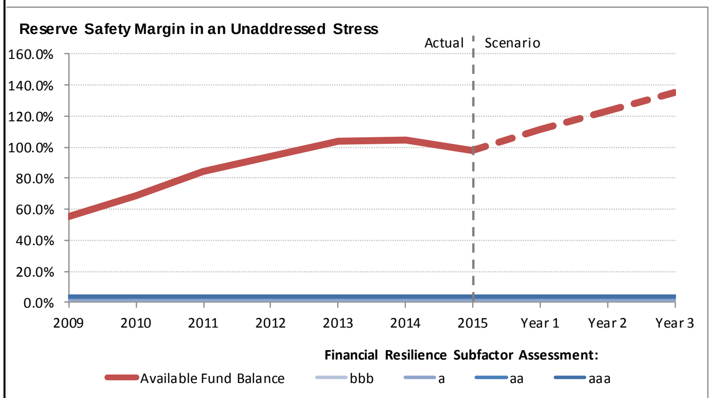
Rating Sensitivities

Maintenance of Financial Flexibility: The rating is sensitive to material changes in revenue and expenditure flexibility, Fitch's expectation for maintenance of a high level of financial flexibility throughout the economic cycle and the continuation of solid economic growth.

Dublin (OH)

Scenario Analysis

v. 1.10 2016/06/22



Analyst Interpretation of Scenario Results:

The city has exhibits extremely strong gap-closing ability and is expected to maintain strong operational management during times of future economic decline. Financial resilience comes from a combination of expenditure cutting and ample revenue-raising flexibility, supplemented by the city's maintenance of a very high reserve cushion.

Scenario Parameters:	Year 1	Year 2	Year 3
GDP Assumption (% Change)	(1.0%)	0.5%	2.0%
Expenditure Assumption (% Change)	2.0%	2.0%	2.0%
Revenue Output (% Change)	(2.0%)	0.0%	3.0%
Inherent Budget Flexibility	Superior		

Revenues, Expenditures, and Fund Balance	Actuals							Scenario Output		
	2009	2010	2011	2012	2013	2014	2015	Year 1	Year 2	Year 3
Total Revenues	53,205	55,334	57,687	62,404	65,203	69,708	69,910	68,512	68,512	70,568
% Change in Revenues	-	4.0%	4.3%	8.2%	4.5%	6.9%	0.3%	(2.0%)	0.0%	3.0%
Total Expenditures	36,881	36,178	38,396	40,241	38,754	40,014	42,342	43,189	44,053	44,934
% Change in Expenditures	-	(1.9%)	6.1%	4.8%	(3.7%)	3.3%	5.8%	2.0%	2.0%	2.0%
Transfers In and Other Sources	-	-	-	-	309	324	248	243	243	251
Transfers Out and Other Uses	13,250	13,900	14,350	14,775	14,710	14,330	15,780	16,096	16,418	16,746
Net Transfers	(13,250)	(13,900)	(14,350)	(14,775)	(14,401)	(14,006)	(15,532)	(15,852)	(16,174)	(16,495)
Bond Proceeds and Other One-Time Uses	-	-	-	-	-	-	-	-	-	-
Net Operating Surplus(+)/Deficit(-) After Transfers	3,074	5,256	4,941	7,388	12,048	15,688	12,037	9,471	8,285	9,139
Net Operating Surplus(+)/Deficit(-) (% of Expend. and Transfers Out)	6.1%	10.5%	9.4%	13.4%	22.5%	28.9%	20.7%	16.0%	13.7%	14.8%
Unrestricted/Unreserved Fund Balance (General Fund)	27,520	34,343	44,647	51,841	55,713	56,853	56,724	66,195	74,481	83,619
Other Available Funds (Analyst Input)	-	-	-	-	-	-	-	-	-	-
Combined Available Funds Balance (GF + Analyst Input)	27,520	34,343	44,647	51,841	55,713	56,853	56,724	66,195	74,481	83,619
Combined Available Fund Bal. (% of Expend. and Transfers Out)	54.9%	68.6%	84.6%	94.2%	104.2%	104.6%	97.6%	111.7%	123.2%	135.6%

Reserve Safety Margins	Inherent Budget Flexibility				
	Minimal	Limited	Midrange	High	Superior
Reserve Safety Margin (aaa)	32.0%	16.0%	10.0%	6.0%	4.0%
Reserve Safety Margin (aa)	24.0%	12.0%	8.0%	5.0%	3.0%
Reserve Safety Margin (a)	16.0%	8.0%	5.0%	3.0%	2.0%
Reserve Safety Margin (bbb)	6.0%	4.0%	3.0%	2.0%	2.0%

Notes: Scenario analysis represents an unaddressed stress on issuer finances. Fitch's downturn scenario assumes a -1.0% GDP decline in the first year, followed by 0.5% and 2.0% GDP growth in Years 2 and 3, respectively. Expenditures are assumed to grow at a 2.0% rate of inflation. Inherent budget flexibility is the analyst's assessment of the issuer's ability to deal with fiscal stress through tax and spending policy choices, and determines the multiples used to calculate the reserve safety margin. For further details, please see Fitch's US Tax-Supported Rating Criteria.

Rating History (IDR)

Rating	Action	Outlook/ Watch	Date
AAA	Affirmed	Stable	11/3/16
AAA	Affirmed	Stable	9/10/04
AAA	Assigned	—	10/12/00

Credit Profile

Dublin benefits from a well-diversified economy, anchored by financial services, telecommunications, and healthcare. Key employers include Nationwide Insurance Enterprises, Cardinal Health, Inc. and Express Scripts. The city's aggressive economic development program and highly educated population base have helped strengthen the city's employment profile. However, after the 2014–2015 loss of large employer Verizon, it was announced that Nationwide will be relocating approximately 3,400 jobs to the neighboring city of Grandview Heights in 2017. Fitch does not expect this to cause economic pressure, as the city reports strong business withholding tax revenues and growth in the small businesses.

The unemployment rate is consistently well below state and national averages. Per capita income is approximately twice the state average. The city is approximately 80% built out and assessed valuation has grown approximately 6% in the past 10 years, which Fitch believes is due to property value appreciation and new construction.

Revenue Framework

The city is heavily reliant on income tax revenues, which comprise approximately 90% of general fund revenues.

Historical revenue growth is strong, above both U.S. economic performance and the level of inflation. A growing population reinforces Fitch's expectations for future revenue growth. Management conservatively projects income tax revenues to show annual gains of 0.5%. However, year to date actuals post revenue gains of at least 2.2% for 2016, which is attributed to wage growth and declining unemployment. Based on the 10-year CAGR, Fitch expects 2017 year-end results to remain consistent with historical performance.

Ohio state law limits un-voted income and sales taxes. Property tax levy "inside mills" may be adjusted by the county, without receiving voter approval, up to 10 mills. However, since the city pays for non-enterprise-fund debt service from income tax revenues alone, it has the legal ability to independently raise property tax revenues equal to 100% of GO debt service, or about 18% of general fund expenditures. Although as a policy matter the city is unlikely to need to take this action, the ability to do so provides significant flexibility and supports a strong revenue framework assessment.

City council also has the legal ability to eliminate 100% income tax credit given to the city's residents. This would generate about $24 million in income tax revenues or approximately 57% of general fund revenues. The city also has the ability to raise charges for fees and services.

Expenditure Framework

Dublin's primary expenditure category is general government, which comprises approximately 60% of general fund expenditures, half of which are directed toward public service expenses. These service costs include waste management, engineering, and fleet management, and other facilities related expenses.

The pace of spending growth is likely to be in line with expected revenue growth in the absence of policy action.

The city's expenditure controls are solid. Fiscal 2015 carrying costs for debt, pension, and other post-employment benefits (OPEB) are equal to 9% of government spending, with debt service totaling about 65% of the cost. Budgeted expenditures for 2017 are expected to remain flat despite the inclusion of manageable salary increases. Dublin has three local union contracts; one is currently settled on a tentative agreement and the others are re-opening for negotiations

Related Research

Fitch Rates Dublin (OH)'s $9MM GO Bonds 'AAA'; Outlook Stable (November 2016)

Related Criteria

U.S. Tax-Supported Rating Criteria (April 2016) at the end of 2016 and 2017, respectively. All contracts are settled on a three-year term. Fitch expects that management will maintain reasonable negotiating terms.

Management has identified additional areas of expenditure flexibility which include discretionary services and reduction in wage expenses, through staffing attrition and the elimination of non-essential employees. Fitch does not expect the city to need to implement these expenditure saving mechanisms, but they support overall expenditure flexibility.

Long-Term Liability Burden

The city has a low long-term liability burden with debt plus Fitch-adjusted unfunded pension liabilities totaling about 8% of personal income. Approximately half of the burden is attributable to overlapping debt, with direct debt ($94 million) equaling another 31% of the liability. Direct debt is scheduled to amortize at a moderate pace, with 49% retired within the next 10 years. The city has plans to issue an additional $35 million in general obligation debt during 2017. Fitch expects the tax-supported debt burden will remain low.

Dublin provides pension benefits and OPEB through two state-sponsored defined benefit pension plans, the Ohio Public Employees Retirement System (OPERS) and the Ohio Police and Fire Pension Fund (OP&F). The combined plans reported an assets-to-liabilities ratio of 83%, assuming an 8% rate of return, as of Dec. 31, 2015. Using Fitch's more conservative 7% rate of return, the estimated funded ratio is 74%.

Operating Performance

The city has exhibits extremely strong gap-closing ability and is expected to maintain strong operational management during times of future economic decline. For details, see Scenario Analysis, page 2.

Management has built reserves to very high levels (98% of expenditures and transfers out at fiscal 2015 year-end), noting the economic sensitivity associated with the heavy reliance on income tax revenue. In addition, the city recently established formal general fund balance and debt policies that management expects will further safeguard their financial position.

The general fund reserve policy requires that unrestricted balances are maintained at a minimum 50% of expenditures and transfers out. Furthermore, 25% of unrestricted fund balance exceeding 75% expenditures and transfers out, will be transferred to the capital improvement fund. The debt policy includes provisions that of the income tax revenues diverted to capital improvement fund, 60% will be used for debt service and 40% will be used for pay-as-you-go capital.

The ratings above were solicited by, or on behalf of, the issuer, and therefore, Fitch has been compensated for the provision of the ratings.